

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Department of Revenue	49,054,000	33,503,000	86,800,000	73,104,000	86,800,000	74,304,000
<b>Total \$</b>	<b>49,054,000</b>	<b>33,503,000</b>	<b>86,800,000</b>	<b>73,104,000</b>	<b>86,800,000</b>	<b>74,304,000</b>

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		16,021,170		31,442,400		31,897,800
Local Gov. Total		16,021,170		31,442,400		31,897,800

## Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	5.4	990,100	990,100	4.0	665,200	665,200	4.0	665,200	665,200
Utilities and Transportation Commission	.5	0	121,932	.5	0	102,156	.5	0	102,156
Department of Social and Health Services	21.2	19,558,000	0	21.2	20,077,000	0	21.2	20,933,000	0
<b>Total</b>	<b>27.1</b>	<b>\$20,548,100</b>	<b>\$1,112,032</b>	<b>25.7</b>	<b>\$20,742,200</b>	<b>\$767,356</b>	<b>25.7</b>	<b>\$21,598,200</b>	<b>\$767,356</b>

## Estimated Capital Budget Impact

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

<b>Prepared by:</b> Cherie Berthon, OFM	<b>Phone:</b> 360-902-0659	<b>Date Published:</b> Final 7/15/2013
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID 35806

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 06/28/2013
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 06/28/2013
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 06/28/2013
OFM Review: Chris Stanley	Phone: (360) 902-9810	Date: 06/28/2013

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

2E2SHB 1971 creates the universal communications services account. Earnings from investments will be credited to the general fund.

Earnings from investments:

Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period under review. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

For illustrative purposes, assume based on the June 2013 revenue forecast that approximately \$1,600 in FY 14, \$1,600 in FY 15, \$2,800 in FY 16, and \$15,700 in FY 17 in net earnings would be gained or lost annually for every \$1 million shift in average daily cash balances.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

2E2SHB 1971 creates the universal communications services account. Earnings from investments will be credited to the general fund.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

NONE

## Part IV: Capital Budget Impact

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates



No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	36,200,000	12,854,000	49,054,000	86,800,000	86,800,000
Enhanced 911 Account-State 00 - 11 -	(394,000)	(436,000)	(830,000)	(536,000)	(536,000)
Telephone Assistance Account-State 01 - Taxes 17 - Excise Phone Taxes	(3,400,000)	(3,300,000)	(6,700,000)	(6,000,000)	(5,500,000)
Telephone Relay Service Account-State 01 - Taxes 17 - Excise Phone Taxes	(4,200,000)	(3,900,000)	(8,100,000)	(7,300,000)	(6,600,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	58,000	21,000	79,000	140,000	140,000
<b>Total \$</b>	28,264,000	5,239,000	33,503,000	73,104,000	74,304,000

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	5.6	5.3	5.4	4.0	4.0
<b>Account</b>					
GF-STATE-State 001-1	558,700	431,400	990,100	665,200	665,200
<b>Total \$</b>	558,700	431,400	990,100	665,200	665,200

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 06/28/2013
Agency Preparation: Erin Valz	Phone: 360-534-1522	Date: 07/03/2013
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 07/03/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 07/08/2013

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Note: This fiscal note reflects language in 2E2SHB 1971, 2013 Legislative Session.

This legislation makes the following changes to the taxation of the telecommunication industry:

- Shifts the responsibility of collecting the state and county E-911 taxes on prepaid wireless telecommunications service from the service providers to the retailers that sell prepaid wireless services. State and county E-911 excise tax would be charged on each taxable prepaid wireless retail transaction occurring in the state. Retailers will collect and remit the E-911 taxes on prepaid wireless beginning January 1, 2014. Retailers are allowed to charge an additional five cents on each retail transaction for prepaid wireless services as compensation for collecting the E-911 taxes until July 1, 2018.
- Prospectively eliminates the sales tax exemptions for local telephone service, coin operated telephone service, and mobile telecommunications service provided to customers whose place of primary use is outside this state.
- Retroactively amends the sales tax exemption for local telephone service to (1) clarify that a residential class of service means that the service was offered under a tariff required to be filed with the Washington Utilities and Transportation Commission (WUTC), and (2) expand the exemption to apply to fixed interconnected voice over internet protocol (VoIP) telephone service other than the nonlocal service allocation attributable to that service. Refunds on sales tax validly collected before August 1, 2013, on such VoIP telephone service are not authorized.
- Eliminates the Washington Telephone Assistance Program (WTAP) excise tax and the Telecommunications Relay Service (TRS) excise tax and replaces these funding sources with biennial general fund appropriations that would be included in separate legislation.

In addition, the bill requires the Department of Social and Health Services to enter into an agreement with the Washington Information Network 211 organization for operational support that is subject to legislative appropriation.

Each of these tax changes is contingent on all of the other tax changes in Part I being enacted into law.

These provisions of the bill are effective August 1, 2013, unless otherwise stated.

Part II of this legislation also funds a state universal communications services program effective July 1, 2014. The program is to be funded by legislative appropriations at with a maximum of \$5 million in expenditures per fiscal year. The program terminates June 30, 2019. The Washington Utilities and Transportation Commission is required to report to the Legislature by December 1, 2017, on the adequacy of funding under the program and the potential impacts on carriers and customers when the program terminates.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

#### ASSUMPTIONS

#### E-911 TAX

Prepaid cellular phones have increased in popularity during recent years. Out of the 6.1 million cellular phone subscribers in

Washington State, it is estimated that about 1.3 million are prepaid cellular phone customers.

Under current law, prepaid cell phone customers are liable for the current monthly E-911 excise taxes levied per wireless line. Nationally, prepaid subscribers make up 21.1 percent of all wireless subscriptions. It is estimated that prepaid cellular customers were liable for approximately \$3.5 million in state E-911 excise tax revenue and \$9.8 million in county E-911 excise tax revenue in Fiscal Year 2012. It is assumed that 99 percent of the current E-911 tax revenues from prepaid cellular phone lines is collected and remitted to the Department of Revenue (Department).

Under this proposal, it is assumed that prepaid wireless subscribers will pay the state and county E-911 excise taxes once for each retail transaction, no matter how many minutes or products are purchased as a part of the transaction. The majority of prepaid customers recharge their phones monthly. A small portion of prepaid customers recharge more than once a month, and about a third of prepaid customers recharge their phones once every two or three months. The state and local loss of E-911 revenue due to infrequent recharges is expected to be over \$300,000 per fiscal year.

Due to the increased number of retail businesses reporting the prepaid wireless E-911 taxes, taxpayer compliance is expected to decline in Fiscal Year 2014 to 75 percent and will rise to 90 percent in Fiscal Year 2015 and remain at 95 percent in the subsequent years. Compliance issues will create a state and local loss of \$1.35 million in Fiscal Year 2014, \$2.3 million in Fiscal Year 2015, \$970,000 in Fiscal Year 2016 and continue to be about \$650,000 for all subsequent years.

It is assumed that all retailers of prepaid wireless telecommunications services are registered and reporting to the Department. Retailers will retain \$212,000 in Fiscal Year 2014 and \$681,000 in Fiscal Year 2015 as compensation for collecting the E-911 tax on prepaid wireless transactions.

#### LOCAL TELEPHONE SERVICE EXEMPTION

Currently, cable VoIP providers are not collecting and remitting the sales tax on fixed VoIP service charges. The estimate includes a calculation of the loss in sales tax collections from retroactively expanding the local telephone service sales tax exemption to fixed VoIP service charges. The loss represents the amounts the Department would have collected through audits. The estimate assumes that audit assessments will occur between July 1, 2014, and December 31, 2014. The audits will include sales activity that occurred from January 1, 2009, through June 30, 2013. The estimated loss to state government is \$30.6 million in Fiscal Year 2015, and local governments will lose approximately \$11.6 million in Fiscal Year 2015.

If this legislation does not pass, it is expected that cable VoIP providers will continue not collecting and remitting sales tax on fixed VoIP service charges. However, if this legislation is enacted and the sales tax exemption for local telephone service is repealed prospectively, additional revenue from this source to the state general fund is estimated to be \$14.4 million in Fiscal Year 2014 and \$15.9 million in Fiscal Year 2015. This amount goes up to \$36.6 million in the 2015-17 Biennium and \$44.3 million in the 2017-19 Biennium. The additional revenue from this source to local governments is estimated to be \$11.5 million in the 2013-15 Biennium, \$13.9 million in the 2015-17 Biennium, and \$16.8 million in the 2017-19 Biennium. These additional revenues are not included in the revenue estimates shown on pages one and four of this fiscal note because the Department's interpretation of current law is that the sales tax exemption for local telephone service does not apply to VoIP telephone service.

Eliminating the sales tax exemption for local telephone service will generate \$36.2 million in Fiscal Year 2014 and \$43.4 million in Fiscal Year 2015, the first full year.



Eliminating the sales tax exemption for mobile telecommunications service provided to customers whose place of primary use is outside this state will have no fiscal impact as this exemption is redundant of the mobile telecommunications sourcing provisions in RCW 82.32.520(3)(a).

Eliminating the sales tax exemption for coin-operated telephone service will have minimal impact.

#### WTAP and TRS TAXES

WTAP and TRS taxes are collected by the Department. In Fiscal Year 2012, approximately \$3.8 million was collected for WTAP and \$5.1 million for TRS. For FY 2013, the WTAP tax rate is 14 cents and the TRS rate is 17 cents per month. These taxes are assessed on switched access lines (land lines) only. The estimates for these taxes reflect a five percent decline in landlines each fiscal year.

#### DATA SOURCES

- Federal Communications Commission (FCC) data
- Department of Revenue data
- Office of Financial Management Washington population data
- Non-general Fund Forecast November 2012

#### REVENUE ESTIMATES

This legislation will increase state revenues by an estimated \$28.3 million during Fiscal Year 2014 and \$33.5 million during the 2013-15 Biennium. Local governments will gain \$12.6 million in Fiscal Year 2014 and \$16.1 during the 2013-15 Biennium. Besides the state and local impacts below, retailers of prepaid wireless services will retain approximately \$681,000 per fiscal year through Fiscal Year 2018 as compensation for collecting E-911 taxes.

#### TOTAL REVENUE IMPACT:

##### State Government (cash basis, \$000):

FY 2014 -	\$ 28,264
FY 2015 -	\$ 5,239
FY 2016 -	\$ 36,402
FY 2017 -	\$ 36,702
FY 2018 -	\$ 37,002
FY 2019 -	\$ 37,302

##### Local Government, if applicable (cash basis, \$000):

FY 2014 -	\$ 12,560
FY 2015 -	\$ 3,623
FY 2016 -	\$ 15,650
FY 2017 -	\$ 16,110
FY 2018 -	\$ 16,110
FY 2019 -	\$ 16,110

#### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing*

#### ASSUMPTIONS

Expenditures assume 81,300 businesses will be affected by this proposal.

#### FIRST YEAR COSTS

The Department will incur total costs of \$558,700 in Fiscal Year 2014. These costs include:

Labor Costs - Time and effort equates to 5.6 FTEs.

- Create and update applicable paper forms, records, and applications
- Correspond with taxpayers and answer inquiries on tax related questions
- Resolve error and out of balance returns
- Conduct account examinations and assist taxpayers with reporting
- Review cases for administrative hearings
- One administrative rule change

Object Costs - \$55,000

- Printing and postage of a new addendum to the excise tax return
- Printing and postage of a special notice

#### SECOND YEAR COSTS

The Department will incur total costs of \$431,400 in Fiscal Year 2015. These costs include:

Labor Costs - Time and effort equates to 5.25 FTEs.

- Correspond with taxpayers and answer inquiries on tax related questions
- Resolve error and out of balance returns
- Conduct account examinations and assist taxpayers with reporting
- Review cases for administrative hearings

Object Costs - \$2,100

- Printing of a new addendum to the excise tax return

#### ONGOING COSTS

Ongoing costs for the 2015-17 Biennium equal \$665,200 and include similar activities described in the second year costs.

Time and effort equates to 4.0 FTEs.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	5.6	5.3	5.4	4.0	4.0
A-Salaries and Wages	286,100	270,200	556,300	414,400	414,400
B-Employee Benefits	85,800	81,100	166,900	124,200	124,200
E-Goods and Other Services	139,700	67,400	207,100	103,800	103,800
G-Travel	7,400	7,400	14,800	14,800	14,800
J-Capital Outlays	39,700	5,300	45,000	8,000	8,000
<b>Total \$</b>	<b>\$558,700</b>	<b>\$431,400</b>	<b>\$990,100</b>	<b>\$665,200</b>	<b>\$665,200</b>

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
EXCISE TAX EX 2	42,583	0.5	0.5	0.5	0.5	0.5
EXCISE TAX EX 3	50,563	2.2	2.2	2.2	1.2	1.2
HEARINGS SCHEDULER	32,688	0.0		0.0		
REVENUE AUDITOR 3	54,505	2.1	2.1	2.1	2.1	2.1
TAX INFO SPEC 1	36,757	0.5	0.3	0.4	0.1	0.1
TAX POLICY SP 2	61,628	0.0		0.0		
TAX POLICY SP 3	69,756	0.3	0.2	0.2	0.1	0.1
WMS BAND 3	88,546	0.0		0.0		
<b>Total FTE's</b>	437,026	5.6	5.3	5.4	4.0	4.0

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

None.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the Department will use the standard process to amend WAC 458-20-245, titled: "Telephone business, telephone service." Persons affected by this rule-making would include the telecommunications industry and retailers of pre-paid wireless services.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services	<b>Agency:</b> 215-Utilities and Transportation Comm
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
<b>Account</b>					
Public Service Revolving Account-State 111-1	70,854	0	70,854	0	0
Universal Service Fund-State New-1	0	51,078	51,078	102,156	102,156
<b>Total \$</b>	70,854	51,078	121,932	102,156	102,156

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

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- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 06/28/2013
Agency Preparation: Kim Anderson	Phone: 360-664-1153	Date: 06/28/2013
Agency Approval: Sondra Walsh	Phone: 360-664-1286	Date: 06/28/2013
OFM Review: Jim Albert	Phone: (360) 902-0419	Date: 06/28/2013

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Second Engrossed Second Substitute House Bill 1971 addresses several taxing and policy issues affecting the provision of telecommunications services in Washington, as well as appropriations related to revenues resulting from the bill.

The amendments to the bill resulting in the Second Engrossed bill address the effective date of provisions in Part I of the bill relating to issues of taxation. As Part I of the bill has no fiscal impact on the UTC, the recent changes to Part I have not fiscal impact.

In Part I, the bill will modify the process for collecting and remitting county and state 911 taxes by extending the requirement to sellers of prepaid wireless services. It also modifies the current exemption from state sales taxes for wireline residential telephone service to include the local portion of interconnected Voice over Internet Protocol (VoIP) service until the tax exemption expires as of the effective date of the bill. The bill eliminates current charges on wireline telephone bills to support Washington Telephone Assistance Program (WTAP) and Telephone Relay Service (TRS) services and funds the program through appropriations in the bill.

In Part II, the bill establishes a state universal communications services program to support small incumbent telephone companies serving high-cost rural areas of Washington. Sections 203, 204 and 205 will have a fiscal impact on the UTC.

Section 203 establishes a state universal communications service program that will terminate on June 30, 2019, providing that eligible communications providers may receive distributions from the universal communications services account created in Section 208 of the bill.

- Subsection (2) provides that the UTC will implement and administer the program, and that expenditures from the program may not exceed \$5 million per fiscal year.
- Subsections (3) and (4) identify certain eligibility criteria for receiving distributions.
- Subsection (6) requires the UTC to periodically review accounts and records of companies receiving distributions to ensure compliance with the program and monitor use of the funds.
- Subsection (7) requires the UTC to create an advisory board to advise the UTC on rules and policies governing the operation of the program.

The agency assumes that the advisory board would be considered a class one group under RCW 43.03.220, which entitles them to be reimbursed for travel expenses. The agency is assuming a six member board, five of which residing in Western Washington, and the other residing in Eastern Washington. The majority of the board's expenses will be mileage reimbursement. The board is estimated to meet four times a year at the agency, located in Olympia, Washington.

The costs of these administrative and review functions will be paid from the amounts appropriated in the account created in Section 208. The estimated costs will include 1.0 FTE of a Regulatory Analyst 3 for administrative and review duties. Under Section 305 of the bill, the appropriation to the account is created within the Office of Financial Management.

Section 204 authorizes the UTC to adopt rules to govern operation of the program and account, as well as benchmarks

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and other criteria to determine eligibility to receive disbursements from the account. The rulemaking will be a complex rulemaking due to the nature of the issues and the number of interested stakeholders.

Section 205 allows the UTC to impose penalties on participating companies for failing to, or delaying, filing any required reports. Under this section the UTC may also recover amounts distributed improperly. Whether the UTC will need to take enforcement action against any company is not known at this time, so any costs to the UTC to engage in enforcement are indeterminate.

Section 207 allows the UTC to adopt rules under Section 204 prior to the July 1, 2014, effective date of the bill. This would allow the UTC to have rules adopted in time to begin implementing the program on the July 1, 2014, effective date. To ensure timely implementation of the bill, the section also allows the UTC to initiate efforts to establish an advisory board and other actions prior to July 1, 2014.

## II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The UTC assumes that the revenues appropriated and placed into the universal communications services account in Section 305 may be used to support UTC costs for administering the program. In addition, the UTC will incur costs to conduct a complex rulemaking authorized under Section 204.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
A-Salaries and Wages	38,790	34,878	73,668	69,756	69,756
B-Employee Benefits	9,310	8,371	17,681	16,742	16,742
C-Professional Service Contracts					
E-Goods and Other Services	22,754	4,184	26,938	8,368	8,368
G-Travel		3,645	3,645	7,290	7,290
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$70,854	\$51,078	\$121,932	\$102,156	\$102,156

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Admin Asst 4	48,168	0.0		0.0		
Administrative Law Judge	95,376	0.1		0.0		
Assist Director, Telecom	85,140	0.1		0.0		
Consumer Prgm Spec 3	55,836	0.2		0.1		
Director, Regulatory Services	95,856	0.0		0.0		
Legal Secretary 1	39,516	0.0		0.0		
Regulatory Analyst 2	61,632	0.0		0.0		
Regulatory Analyst 3	69,756	0.1	0.5	0.3	0.5	0.5
Senior Policy Strategist	80,988	0.1		0.0		
<b>Total FTE's</b>	<b>632,268</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

**Part IV: Capital Budget Impact**

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Section 204 of the bill authorizes the UTC to adopt rules on a number of topics, including operation of the program and account, as well as benchmarks and other criteria to determine eligibility to receive disbursements from the account. The UTC estimates it will conduct a complex rulemaking to adopt these rules. The rulemaking will entail approximately 2 day-long workshops, development of draft and proposed rules and the review of comments and responses to comments submitted by regulated companies and other stakeholders.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services	<b>Agency:</b> 300-Dept of Social and Health Services
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	21.2	21.2	21.2	21.2	21.2
<b>Account</b>					
General Fund-State 001-1	9,735,000	9,823,000	19,558,000	20,077,000	20,933,000
Telephone Assistance Account-Non-Appropriated 539-6	(4,729,000)	(4,729,000)	(9,458,000)	(9,458,000)	(9,458,000)
Telecommunications Devices for the Hearing and Speech Impaired-Non-Appropriated 540-6	(5,006,000)	(5,094,000)	(10,100,000)	(10,619,000)	(11,475,000)
<b>Total \$</b>	0	0	0	0	0

### Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.



*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 06/28/2013
Agency Preparation: Bill Jordan	Phone: 360-902-8183	Date: 06/28/2013
Agency Approval: Dan Winkley	Phone: 360-902-8179	Date: 06/28/2013
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 07/08/2013

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 108 – The Washington Telephone Assistance Program (WTAP) is funded by the legislature by means of a biennial general fund appropriation to the Department of Social and Health Services (DSHS).

Section 108 (4) - DSHS shall enter into an agreement with the Washington Information Network 211 organization for operational support, subject to the availability of amounts appropriated for this purpose.

Section 109 – Telecommunication Relay Services (TRS) and Telecommunication Equipment Distribution (TED) services, client services and reasonable accommodations operated by Office of the Deaf and Hard of Hearing (ODHH) under RCW 43.20A.725 to provide federal mandated equal access opportunities to deaf, hard of hearing, deaf-blind, or speech disabled persons must be funded by the legislature by means of a biennial general fund appropriation to DSHS for the purposes of the program.

Section 118 - Enrollment in WTAP may not result in expenditures that exceed the total amount of funds made available by the legislature for WTAP. When the Department finds that there is a danger of an over expenditure of appropriated funds, the Department must close the enrollment in WTAP until the Department finds the danger no longer exists.

Section 301 - States the Part 1 of this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Economic Services Administration (ESA)

In State Fiscal Year 2012, WTAP had operating costs of \$4.729M. For purposes of this fiscal note, this is the amount of funding assumed to be needed each year to maintain services in WTAP. This program funding provides a reduced rate for basic telephone service, a discount on connection fees, and a waiver of deposit for local service. If an individual is homeless or cannot have a traditional phone, they may have access to a community voice mailbox at no cost. This program is available to adult recipients of DSHS administered programs for the financially needy which provide continuing financial or medical assistance, food stamps, or supportive services to persons in their own homes (RCW 80.36.470). Costs and the needed appropriation will increase or decrease with the number of eligible people who access the program.

Subject to the availability of amounts appropriated for WTAP, DSHS shall enter into an agreement with the Washington Information Network 211 (WIN211) organization for operational support. The contract with WIN211 is assumed to be \$500,000 which is the same level as the contract in State Fiscal Year 2012.

Enrollment in WTAP may not result in expenditures that exceed the total amount of funds made available by the legislature for WTAP - \$4.729M. When the Department finds that there is a danger of an over expenditure of appropriated funds, the Department must close the enrollment in WTAP until the Department finds the danger no longer exists.

#### Office of Deaf and Hard of Hearing (ODHH)

Services provided by ODHH are non-appropriated and funded by the excise tax specified in RCW 43.20A.725.

ODHH is required to meet the federal law for the operation of both interstate and intrastate telecommunication relay service. In addition, ODHH provides telecommunication equipment and training on the use and care of the equipment. ODHH also provides reasonable accommodations to create equal access opportunities to effective communication.

ODHH contracts with Regional Service Centers of the Deaf and Hard of Hearing to provide client services to the Deaf, Hard of Hearing and Deaf-Blind individuals and their families. Client services include case management, education and training, outreach, information and referral with information about hearing loss. ODHH estimates the following appropriation will be needed to maintain the current level of services specified in RCW 43.20A.725.

SFY 2014 - \$5,006,000

SFY 2015 - \$5,094,000

SFY 2016 - \$5,224,000

SFY 2017 - \$5,395,000

SFY 2018 - \$5,608,000

SFY 2019 - \$5,867,000

With the transfer of expenditures to the General Fund, there will be a need for FTEs in each fiscal year of 5.4 for the Economic Services Administration, and 15.8 for the Office of Deaf and Hard of Hearing.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	21.2	21.2	21.2	21.2	21.2
A-Salaries and Wages	1,127,000	1,127,000	2,254,000	2,254,000	2,254,000
B-Employee Benefits	394,000	394,000	788,000	788,000	788,000
C-Professional Service Contracts					
E-Goods and Other Services	4,466,000	4,554,000	9,020,000	9,539,000	10,395,000
G-Travel	34,000	34,000	68,000	68,000	68,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	3,650,000	3,650,000	7,300,000	7,300,000	7,300,000
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	64,000	64,000	128,000	128,000	128,000
9-					
<b>Total:</b>	<b>\$9,735,000</b>	<b>\$9,823,000</b>	<b>\$19,558,000</b>	<b>\$20,077,000</b>	<b>\$20,933,000</b>

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**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
060 - Economic Services Administration		5.4	5.4	5.4	5.4	5.4
100 - Office of Deaf and Hard of Hearing		15.8	15.8	15.8	15.8	15.8
<b>Total FTE's</b>		21.2	21.2	21.2	21.2	21.2

**III. C - Expenditures By Program (optional)**

Program	FY 2014	FY 2015	2013-15	2015-17	2017-19
Economic Services Administration (060)	4,729,000	4,729,000	9,458,000	9,458,000	9,458,000
Division of Vocational Rehabilitation (100)	5,006,000	5,094,000	10,100,000	10,619,000	11,475,000
<b>Total \$</b>	9,735,000	9,823,000	19,558,000	20,077,000	20,933,000

**Part IV: Capital Budget Impact**

NONE

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 1971 2E 2S HB	<b>Title:</b> Communications services
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: Increase sales tax revenue due to ending exemptions for local residential landline service
- ☒ Counties: Same as above
- ☒ Special Districts: Same as above
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

Jurisdiction	FY 2014	FY 2015	2013-15	2015-17	2017-19
City	4,131,951	1,191,884	5,323,835	10,448,309	10,599,638
County	4,206,558	1,213,404	5,419,962	10,636,964	10,791,026
Special District	4,095,891	1,181,482	5,277,373	10,357,127	10,507,136
<b>TOTAL \$</b>	12,434,400	3,586,770	16,021,170	31,442,400	31,897,800
<b>GRAND TOTAL \$</b>	79,361,370				

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Grete Willis	Phone: 360/725-5038	Date: 07/08/2013
Leg. Committee Contact:	Phone:	Date: 06/28/2013
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 07/08/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 07/09/2013

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

#### **CHANGES FROM PREVIOUS BILL VERSION:**

The current bill version identifies Part I of the act as necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions.

#### **SUMMARY OF CURRENT BILL VERSION:**

The bill would make the following changes to the taxation of the telecommunications industry:

-- Shift the responsibility of collecting the state and county enhanced 911 excise tax on prepaid wireless telecommunications service from the service providers to the retailers that sell the prepaid wireless services. State and county enhanced 911 excise tax would be charged on each taxable prepaid wireless retail transaction occurring in the state.

-- Prospectively eliminate the sales tax exemptions for local telephone service, coin operated telephone service, and mobile telecommunications service provided to customers whose place of primary use is outside the state.

-- Retroactively amend the sales tax exemption for local telephone service to (1) clarify that a residential class of service means that the service was offered under a tariff required to be filed with the Washington Utilities and Transportation Commission, and (2) expand the exemption to apply to fixed interconnected voice over internet protocol (VoIP) telephone service other than the non-local service allocation attributable to that service.

-- Eliminate the Washington Telephone Assistance Program excise tax and the Telecommunications Relay Service excise tax and replace these funding sources with biennial general fund appropriations that would be included in separate legislation.

The legislation would also fund a state universal communications services program.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

County treasurers contract with the Department of Revenue (DOR) for collection and administration of the county enhanced 911 excise tax, pursuant to 82.14B.063. Shifting the collection responsibility from the service provider to the retailer would not create new costs for local government, according to the Washington Association of County Officials.

There are no local costs relating to the collection and administration of sales and use taxes because these are handled at the taxpayer and state levels.

The taxes funding the Washington Telephone Assistance and Telecommunications Relay Service programs are collected by DOR. The elimination of these taxes would not affect local government expenditures.

### **C. SUMMARY OF REVENUE IMPACTS**

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

The bill would increase revenue to local governments by \$12,434,400 in FY 2014 and \$16,021,170 during the 2013-2015 Biennium, according to DOR.

While the elimination of the sales tax exemption would generate new revenue, the amount projected for FY 2015 is significantly less than other years. Local government would lose approximately \$11,600,000 in FY 2015 that DOR expects to collect in audits on behalf of local government under current law. Currently, cable voice over internet protocol (VoIP) providers are not collecting and remitting the sales tax on fixed VoIP service charges. DOR expects to audit VoIP providers for sales activity that occurred from January 1, 2009 through June 30, 2013. The legislation would retroactively expand the local telephone service sales tax exemption to fixed VoIP service charges, thus making the planned audit obsolete.

#### **METHODOLOGY:**

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from

Calendar Year 2011. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 33.83 percent to counties, 33.23 percent to cities, and 32.94 percent to special districts. The 1 percent DOR administrative fee has also been deducted.

SOURCES:

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions

Washington Association of County Officials